



ANNOUNCEMENT

Chairman's Script – 2014 AGM

It is my pleasure to declare open the forty-second Annual General Meeting of Capilano Honey Limited, and welcome everyone present.

Also in attendance at this Annual Meeting are members of the Capilano Management team and Junaide Latif, principal of William Buck.

At this point I remind shareholders that this meeting is the Annual General Meeting of the company and only matters which are AGM matters may be discussed

- **Financial Statements and Report of the Directors**

It is pleasing to once again report that Capilano has completed a very successful year with a significant increase in both sales and profit.

The most notable issues during the year have been a shortage of supply due to low honey production nationally, and the successful and profitable integration into the business of the Western Australian honey packing and marketing operation, Wescobee, that was acquired towards the end of last financial year.

Results

A net profit after tax of \$4.61m for this financial year is a very good result, being a 34% improvement over the previous year and continues to build on the increases seen over the last few years.

This year's EBITDA of \$9.05m is also an increase over last year's good result of \$7.76m.

A fully franked dividend of 20 cent per share, comprising the 15 cent 'normal' dividend plus a 5 cent special dividend to reflect the improved performance, was declared in June based on this year's results and paid to shareholders on 25 July 2014.

Honey Supply

Beekeepers throughout the country have had a difficult season for honey production that has resulted in lower than normal production nationally; the increased competition for the limited supply has seen an escalation in the cost to Capilano for the honey we have acquired. Fortunately Management have been successful in obtaining corresponding increases in wholesale prices for our products that has maintained a reasonable level of profitability for Capilano.

It has been the first time for many years that we have seen a meaningful increase in the wholesale price and we hope to be able to maintain most of these as production comes back to normal next season, providing us with the opportunity to give beekeepers a much needed incentive to stay in production.

Changes in sales mix to reduce the number of lower margin large retail packs has also allowed the company to maintain returns from the limited amount of honey available.

It has been and continues to be our policy to only use 100% Australian honey in our Capilano branded Australian retail products.

Significant Events

Wescobee, the major West Australian honey company that was acquired near the end of the previous financial year has now been successfully and seamlessly integrated into Capilano and continues to contribute to the whole business, meeting and in some cases exceeding our original expectation.

Looking Forward

Hopefully the next honey season beginning this spring will see more favourable conditions for honey production, that will result in more honey available to meet the demand for this great product and allow Capilano to take better advantage of the sales opportunities that exist worldwide.

Capilano continues to strive for increased efficiencies within the core business to meet our aim of being the most efficient low cost participant in the category. While the fire that destroyed much of shed two in Richlands in late 2012 created some disruption, we have been able to use the rebuilding to modify the operation to make it more efficient and streamlined. The insurance pay back for the fire has now been completed and we currently retain some of that money to further improve the decanting of raw honey.

The Sales and Marketing team have done a great job working with our major customers to improve the offering we have available for consumers and to maintain the returns achieved. Capilano has always had a large share of the category but we have seen that market share increase even further over the past year.

New products like, premium seasonal honey and pot set honey, continue to be introduced to maintain consumers interest in the product and to attract new or lapsed users back to consuming honey.

During the past year shareholders have been rewarded with a steady increase in the traded price for the shares they hold in the company, hopefully with further good results and with those for the full year included in this report, that momentum can be maintained.

Our People

The outcomes and results accomplished during the past year can only be achieved if everybody in the Capilano team are working hard and working together.

I would like to take this opportunity to thank everyone at Capilano for a great year and I am very proud to be part of the team.

Management and Staff have done an outstanding job of operating the business through a difficult year with only limited honey available.

My thanks and appreciation also goes to the other members of the Board who have worked very well together to further the development of Capilano and protecting the interests of all its stakeholders.

Finally to all the beekeepers who supply Capilano, we hope for a better new season for them and a more profitable future.

I now invite shareholders to raise any issues they would like discussed from the CZZ Annual Report.

I will also invite questions to the Auditor, noting that these questions are only to relate to the Conduct of the Audit or the Audit Report.

Resolution 1 – re-election of Independent Director

In accordance with Rule 111 of the CZZ Constitution, Mr Robert Newey must retire by rotation at this meeting and offers himself for re-election with the support of the Board.

Mr Newey has been a director since 2012. He is also a director of Bakers Delight Holdings Ltd, Saleslink Australasia Pty Ltd, Modern Baking Holdings Pty Ltd, Foodbank Queensland Limited and Aware Environmental Ltd.

Mr Newey is a graduate of the Australian Institute of Company Directors and has over 30 years experience in business with skills in managing change, developing strategic plans, organising people, operational due diligence in merger and acquisitions and leading entrepreneurial teams.

Previously, Mr Newey was a retail advisor with private equity investment firm TPG Capital, a consultant to the department store Myer Pty Ltd Management Board, director of a Myer Family Company retail subsidiary and member of the senior manager group of Woolworths.

The directors recommend you vote in favour of this resolution.

In accordance with the Corporations Law, approval of the proposed ordinary resolution will require a majority of 50% of the number of votes cast.

The resolution is now open for discussion.

There being no further business on the motion to elect the Independent Director, I now declare the matter closed, and ask you to vote on this issue by using the voting slip for Resolution 1 and then pass it to the end of the row for collection.

• **Resolution 2 – Remuneration Report in the CZZ Report**

This year's Report of Directors again contains a separate Remuneration Report on pages 12 to 17. The Corporations Act provides for shareholders to have a vote on the Remuneration report. The vote is non-binding, but provides an opportunity for shareholders to indicate their support or opposition to the Board's Remuneration Policy.

In brief, Capilano endeavours to provide remuneration that is comparable with the salaries for similar positions in other companies. Incentives provide opportunity for some employees to achieve improved remuneration in accord with Company performance and / or key personal performance indicators.

The Board considers the Company's Remuneration Policy developed over many years is tried and tested and best suits the Company's needs to attract the most suitable people. The Board would welcome shareholder support for the Company's Remuneration Report.

Directors and other key management personnel and closely related parties will abstain from voting on this resolution in accordance with sections 250R and 250BD of the Corporations Act 2001. Exceptions may apply to votes cast as a proxy, as detailed in the Notice of Meeting.

In accordance with the Corporations Law, approval of the proposed ordinary resolution will require a majority of 50% of the number of votes cast.

The resolution is now open for discussion.

There being no further business on the motion to adopt the Remuneration Report, I now declare the matter closed, and ask you to vote on this issue by using the voting slip for Resolution 2 and then pass it to the end of the row for collection.

• **Resolution 3 – Amend Constitution**

I now move to the Special Resolution to amend the Constitution.

The Shares to Hives ratio was a requirement for suppliers of the Company to hold 16 fully paid ordinary shares in the Company for each hive of bees used for producing honey.

In February 2014, Directors resolved to remove this requirement. Subsequently, the following amendments to the terminology used in the Company's Constitution are required:

- **Replace** the word 'shareholders' with 'Contracted Suppliers' in Rules 5a, 5b, 5c.
- **Insert** new defined terms for 'Contracted Supplier' and 'Person' and delete defined term 'Supplier Shareholder' in Rule 7
- **Delete** Rule 74, as no longer applicable

In accordance with the Corporations Law, approval of the proposed special resolution will require a majority of 75% of the number of votes cast.

The resolution is now open for discussion.

There being no further business on the motion to adopt the Amend Constitution, I now declare the matter closed, and ask you to vote on this issue by using the voting slip for Resolution 3 and then pass it to the end of the row for collection.

• **Closure**

Ladies and Gentlemen, this brings the 2014 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings.



Dirk Kemp
Company Secretary